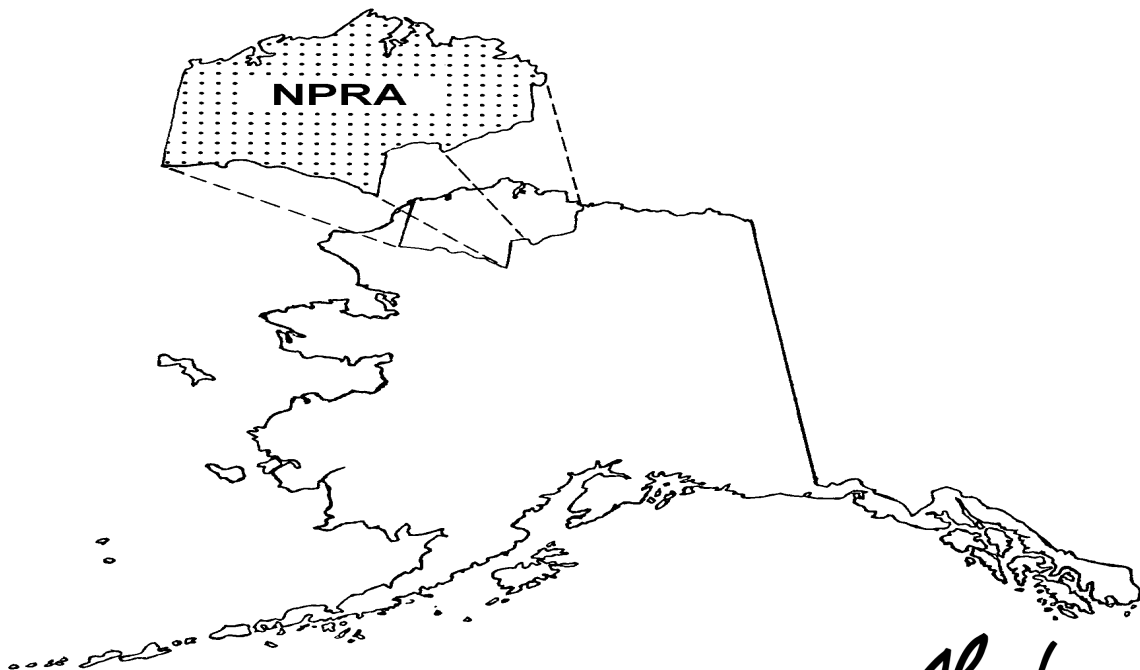


National Petroleum Reserve - Alaska

Impact Program

Report to the Second Session of the Twenty Third Legislature State Fiscal Year 2004



State of Alaska
Frank Murkowski, Governor
Department of Community & Economic Development
Edgar Blatchford, Commissioner



Issued January 2004



Frank H. Murkowski, Governor

**Department of Community
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January 21, 2004

The Honorable Gene Therriault
Senate President
Twenty-Third Alaska State Legislature
State Capitol, Room 111
Juneau, Alaska 99801-1182

The Honorable Pete Kott
Speaker of the House
Twenty-Third Alaska State Legislature
State Capitol, Room 208
Juneau, Alaska 99801-1182

Dear President Therriault and Speaker Kott:

This document is the Division of Community Advocacy's report on the status of the National Petroleum Reserve-Alaska (NPR-A) Impact Program.

The State of Alaska receives 50% of the federal revenues from oil and gas lease sales located in the NPR-A. Those revenues are deposited into the NPR-A Special Revenue Fund to provide grants to communities impacted by oil and gas development. This report provides information on the program and the status of the grants previously approved.

Please contact me if you have any questions about the NPR-A Program or this report.

Cordially,

Gene Kane
Director
Division of Community Advocacy

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Federal Statutes (42 USC Chapter 78)

Alaska Statutes (AS 37.05.530)

Alaska Regulations (03 AAC 150)

NPR-A Impact Mitigation Program History and Overview

As authorized December 12, 1980 by 42 U.S.C. Chapter 78, Sections 6501-6508, the Federal Government, through the Department of Interior, Bureau of Land Management allows for the exploration and development of oil and gas within the National Petroleum Reserve-Alaska (NPR-A).

Although the federal government manages the NPR-A, Section 6508 of the federal statute requires that fifty-percent of the money received by the federal government from the "sales, rentals, bonuses, and royalties on leases issued..." be paid to the State of Alaska. Leases awarded by the federal government are usually for ten years and require that each company holding a lease pay a decreasing annual amount.

In accordance with Section 6508, the monies are to be used by "the State of Alaska for (a) planning, (b) construction, maintenance, and operation of essential public facilities, and (c) other necessary provisions of public service: *Provided further*, That in the allocation of such funds, the State shall give priority to use by subdivisions of the State most directly or severely impacted by development of oil and gas leased under this section."

The State of Alaska began receiving payments in State fiscal year 1983 (FY 83). To segregate these monies, in SLA 1984, Chapter 94 the Alaska Legislature enacted AS 37.05.530 (a) and (b). This statute established the National Petroleum Reserve Alaska Special Revenue Fund. Henceforth, NPR-A payments were to be deposited within the NPR-A Fund and used to support:

1. NPR-A Impact Mitigation grants to communities in accordance with AS 37.05.530 (c) through (e) which established the NPR-A Impact Mitigation Program. Under this program, communities may apply for assistance, i.e. grants, to fund projects that fall within federal and state guidelines. As required, priority is given to those communities most directly or severely impacted by oil and gas development.
2. Of the remaining lease payments, not needed to fund NPR-A Impact Mitigation grants, twenty-five percent is transferred to the Alaska Permanent Fund per AS 37.05.530(g).

3. Of the remaining payments, not needed to fund NPR-A Impact Mitigation grants, one-half percent is transferred to the Public School Trust Fund per AS 37.05.530(g).
4. Up to the entire amount of the remaining payments may be appropriated by the Legislature to the Power Cost Equalization and Rural Electric Capitalization Fund per AS 37.05.530(g).
5. Any remaining payments are then transferred to the State's General Fund per AS 37.05.530(g).

In 1985 the North Slope Borough, Wainwright, and Barrow filed suit alleging that the State's method of allocating the NPR-A payments was in conflict with federal law. The decision in *Barrow v. State*, No. 1JU-85-2634, established that: (1) the State's distribution of NPR-A revenue had been incorrect and it did conflict with federal requirements; (2) the State needed to "reconstitute" the NPR-A Fund in part; and (3) henceforth, the State would allow first priority to the municipalities and/or communities most directly impacted by the NPR-A development.

As a result of the litigation, the NPR-A Fund was reconciled and reconstituted as of October 1987. It was also reconciled and reconstituted again as of September 1990 and again as of June 1992.

Multiple reconciliation's between actual NPR-A payments received and cash available in the NPR-A Fund were necessary because:

- (1) The NPR-A payments (deposited in the NPR-A Fund) were being used to fund *two* programs. In addition to funding the NPR-A Impact Mitigation Program the payments were also funding grants awarded by the Department of Administration under the Municipal Grants Program; and
- (2) In FY 92 AS 37.05.530 was amended and required a recalculation of available cash in the NPR-A Fund annually back to FY 87.

SLA 1985, Chapter 96; SLA 1986, Chapter 128; SLA 1988, Chapter 173; and SLA 1990, Chapter 208 appropriated, repealed, and reappropriated the grants funded from NPR-A payments but administered under the Municipal Grants Program by the Department of Administration. These projects and their grants are not reflected in this report.

This report addresses only the grants that were/are funded from NPR-A payments *and* awarded under the NPR-A Impact Mitigation Program.

FY 87 was the first year of the actual NPR-A Impact Mitigation Program. The general procedure remains the same in 2004 as in 1987. Periodically, the Department is notified by the U.S. Department of Interior, Bureau of Land Management (BLM) that the federal government will be offering tracts of land for lease in the National Petroleum Reserve-Alaska. The Department then provides public notice that funding may become available for NPR-A Impact Mitigation grants and requests that communities submit project proposals (grant applications). The Department establishes a review committee, makes award recommendations, and if both NPR-A lease revenue and a Legislative appropriation is received, the Department awards NPR-A Impact Mitigation grants to specific communities for specific projects.

Aggregate information for the initial years of the NPR-A Impact Mitigation Program is reflected below. Project specific information is provided beginning on page 7 of this report.

| <u>State Fiscal Year</u> | <u># of Projects and Communities</u> | <u>\$ Awarded</u> |
|--------------------------|--|--------------------|
| FY 87 | 11 Projects 5 Communities | 6,558,162 |
| FY 88 | 0 | 0 |
| FY 89 | 1Project 1 Community | 937,000 |
| FY 90 | 8 Projects 4 Communities | 836,745 |
| FY 91 | 7 Projects 5 Communities | 590,000 |
| FY 92 | 7 Projects 4 Communities | 367,378 |
| FY 93 | 4 Projects 4 Communities | 447,126 |
| FY 94 | 4 Projects 4 Communities | 18,941 |
| FY 95 | 4 Projects 4 Communities | 25,538 |
| FY 96 through FY 99 | 0 | 0 |
| Total | | \$9,780,890 |

By FY 96 all existing NPR-A leases had been terminated, relinquished, or had expired. The U.S. Department of the Interior, Bureau of Land Management (BLM) notified the Department that additional NPR-A payments would not be forthcoming. Therefore, the NPR-A Impact Mitigation Program was inactive from FY 96 through FY 99.

The NPR-A Impact Mitigation Program remained inactive until the early part of calendar year 1999. At that time the Department was notified that the U.S. Department of Interior, Bureau of Land Management (BLM) would be entering into new ten-year (approximate) leases on tracts of land in the National Petroleum Reserve-Alaska in May 1999.

BLM estimated that upon issuance of the ten-year leases, the federal government would receive approximately \$80,000,000 in fees. Alaska would receive fifty-percent, approximately \$40,000,000, about six months after the leases were awarded.

In anticipation of the forthcoming \$40,000,000 in payments, the Alaska State Legislature appropriated funding for NPR-A Impact Mitigation grants in FSSLA99 Chapter 2 Section 63.

Additionally, the Department provided public notice and requested communities to submit grant applications for potential projects. The Department established a review committee, evaluated the grant applications and in April 2000 recommended award of 24 grants totaling \$28,000,000 to four communities.

In January 2000 the State received \$40,298,622 in payments. The State retained \$28,000,000 of the cash within the NPR-A Fund for the NPR-A Impact Mitigation grants. As required by AS 37.05.530(g) the remaining cash was distributed to the Alaska Permanent Fund, Public School Trust Fund, and the Power Cost Equalization and Rural Electric Capitalization Fund.

In the two years following the May 1999 leases, BLM received slightly over \$3.3 Million annually. Alaska continued to receive fifty-percent, or approximately \$1,683,850 in FY 02 and \$1,686,105 in FY 03.

In May 2002 the State was notified by U.S. Department of Interior, Bureau of Land Management (BLM) that new ten-year leases would be awarded June 3, 2002. BLM awarded leases on approximately 60 tracts totaling 579,269 acres. BLM estimated the initial lease fees at \$63,811,496. The State's fifty-percent was estimated to be approximately \$31,905,748. It was actually \$34,556,369 and was received in April 2003. The State will also continue to receive its fifty-percent of the fees resulting from the May 1999 leases of approximately \$1,700,000 for another six to seven years.

In anticipation of the continuing payments from the May 1999 leases and the initial payments from the June 2002 leases the Department requested a \$35,300,000 capital appropriation for FY 04, to be funded with the NPR-A payments. The Department requested and received grant applications from impacted communities and awarded 30 projects totaling \$25,011,457 to 3 communities in March 2003. Aggregate information on all of the above is reflected on page 6 of this report. Project specific information is provided beginning on page 12.

For FY 05, the State anticipates receiving approximately \$3,190,170 for the NPR-A Impact Mitigation Grants. As of November 2003 the first installment of approximately \$1,595,085 had been received.

Effective October 16, 2003 the NPR-A program regulations were amended to change the date by which grant applications must be postmarked (for receipt by the Department) from September 15th annually to November 15th annually. This was the only change made to the regulations.

The Department provided public notice and requested communities to submit grant applications for potential projects in September 2003. Department staff also traveled to Barrow in September to provide NPR-A assistance and grant training to eligible communities.

Applications were received in November 2003. The Department established a review committee, evaluated the grant applications and in December 2003 recommended award of 10 grants totaling \$3,030,000 to 3 communities. Aggregate information is provided on page 6 with project specific information on page 20 of this report.

| <u>State Fiscal Year and SLA</u> | <u># of Projects and Communities</u> | <u>\$ Awarded</u> |
|--|--|---------------------|
| FSSLA 1999 Chapter 2 Section 63 - FY 00 | 24 Projects 4 Communities | 28,000,000 |
| SLA 2000 | 0 | 0 |
| SLA 2001 Chapter 61 Section 85 – FY 02 | 10 Projects 3 Communities | 1,683,850 |
| SSSLA 2002 Chapter 1 Section 29 – FY 03 | 8 Projects 3 Communities | 1,686,105 |
| SLA 2003, Chapter 82 Section 11 - FY 04 | 30 Projects 3 Communities | 25,011,457 |
| FY 2005 (Tentative) | 10 Projects 3 Communities | 3,030,000 |
| Total | | \$59,411,412 |

FY 87 NPR-A Impact Mitigation Grants Awarded

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|---------------------|---|------------------|---|---------------------|
| Atkasuk | Community Center Maintenance and Operations | 99,000 | Fund 50% of operating costs; only partly related to NPR-A development. | Closed 3/90 |
| Atkasuk | Community Center Expansion | 500,000 | Project provides space for additional cultural programs; related to mitigation of cultural impacts. | Closed 1/88 |
| Atkasuk | Basic Local Government Operations | 90,000 | Fund administrator position and miscellaneous office equipment/supplies. Administrator to develop strategies and plan for dealing with future NPR-A impacts and other grants. | Closed 9/90 |
| Barrow | Boat Ramps | 825,000 | Related to subsistence impacts. | Closed 9/92 |
| North Slope Borough | Barrow - Residential Care | 539,637 | Partly related to NPR-A impacts; fund a portion of operating costs. Serves regional needs. | Closed 9/90 |
| North Slope Borough | Barrow - Juvenile Detention | 3,000,000 | Related to incremental impacts of NPR-A development. Serves regional needs. | Closed 6/93 |
| North Slope Borough | Comprehensive Subsistence Management Plan | 232,500 | Related to overall subsistence impacts of NPR-A development. | Closed 9/91 |
| Nuiqsut | Dry Boat Storage | 551,395 | Related to subsistence impacts. Fund construction of storage facility but not entrepreneurial activity unrelated to NPR-A impacts. Maintenance & operation costs partly related; funded at 50%. | Closed 9/90 |
| Nuiqsut | Basic Local Government Operations | 109,250 | Large expansion of municipal government. Fund full-time administrator 1-1/2 years and miscellaneous office equipment/supplies. Administrator to develop strategies and plan for future impacts and administer other grants. Fund 50% (\$19,250) of request for computer/recreation equipment, only partly related to impacts. | Closed 10/89 |
| Wainwright | Boat Ramp Construction | 550,000 | Related to mitigation of subsistence impacts. One boat ramp on sea and one on river. | Closed 11/88 |
| Wainwright | Boat Ramp Planning | 61,380 | Planning Boat Ramp project (see above). | Closed 5/88 |
| Total | | 6,558,162 | | |

FY 89 NPR-A Impact Mitigation Grants Awarded

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|---------------------|---------------------------------|----------------|---|---------------------|
| North Slope Borough | Alcohol and Drug Abuse Facility | 937,000 | Residential and emergency respite care, alcohol and drug abuse treatment center located in Barrow. Serves regional needs. | Closed 10/91 |
| Total | | 937,000 | | |

FY 90 NPR-A Impact Mitigation Grants Awarded

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|----------------|---|----------------|---|---------------------|
| Atqasuk | Basic Local Government Operations | 79,130 | Continuation funding of FY 87 award. Related to mitigation of NPR-A impacts. | Closed 7/91 |
| Atqasuk | Community Center Planning and Operations | 96,982 | Maintenance of facility related to expected long-term impacts of NPR-A. | Closed 4/91 |
| Barrow | Cultural Center Planning | 48,250 | Related to mitigation of cultural impacts of NPR-A. Fund planning/design of facility. | Closed 8/91 |
| Barrow | Basic Local Government Assistance | 74,788 | Fund each position by half; City to make up difference. | Closed 10/90 |
| Barrow | City's Public Facilities Maintenance and Operations | 238,843 | Maintenance of public facilities related to expected long-term impacts of NPR-A. | Closed 11/90 |
| Nuiqsut | Community Center/City Hall Maintenance and Operations | 57,900 | Previous NPR-A grant funded expansion of center. Maintenance and operations of facilities related to counteracting long-term cultural impacts from NPR-A. | Closed 1/91 |
| Wainwright | Basic Local Government Operations | 82,961 | Goal: properly process and disseminate information and have adequate management in order for City to properly function. Related to mitigation of NPR-A impacts. | Closed 5/91 |
| Wainwright | Community Center Maintenance and Operations | 157,891 | Maintenance and operation of center related to expected long-term impacts of NPR-A. | Closed 7/91 |
| Total | | 836,745 | | |

FY 91 NPR-A Impact Mitigation Grants Awarded

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|------------------------|--|----------------|---|---------------------|
| Atqasuk | Community Center Maintenance and Operations | 21,181 | On-going maintenance and operation of facility related to impacts of NPR-A. | Closed 7/91 |
| Barrow | Volunteer Fire Department Operations | 133,980 | Project pertains to life/health/safety. | Closed 11/91 |
| Barrow | Search and Rescue Operations | 104,000 | Project pertains to life/health/safety. | Closed 11/91 |
| Barrow | City Facilities Maintenance and Operations | 49,319 | On-going maintenance and operation of facility related to impacts of NPR-A. | Closed 4/91 |
| North Slope Borough | Arctic Women in Crisis | 200,000 | Facility and program serves regional needs; pertains to life/health/safety. | Closed 9/91 |
| Nuiqsut | Boat Storage Maintenance and Operations | 30,500 | On-going maintenance related to NPR-A impacts. | Closed 8/91 |
| Wainwright | Community Center Maintenance and Operations | 51,020 | On-going maintenance and operation of facility related to impacts of NPR-A. | Closed 7/91 |
| Total | | 590,000 | | |

FY 92 NPR-A Impact Mitigation Grants Awarded

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|----------------|---|----------------|---|---------------------|
| Atqasuk | Basic Local Government Assistance | 69,802 | Equipment/Office Supplies; Freight; Salaries/Benefits; Administrative/Audit Costs; Phone; Office Utilities. | Closed 8/92 |
| Atqasuk | Community Center Maintenance and Operations | 14,328 | Maintenance and operation of center related to expected long-term impacts of NPR-A. | Closed 1/92 |
| Barrow | Public Facilities Maintenance and Operations | 146,951 | Operation of public facilities related to long-term impacts of NPR-A. | Closed 10/92 |
| Nuiqsut | Basic Local Government Assistance | 49,963 | Salary/Benefits; Equipment/Office Supplies. | Closed 4/92 |
| Nuiqsut | Utilities Maintenance and Operations | 5,878 | City facility utility costs. | Closed 4/92 |
| Wainwright | Basic Local Government Assistance | 66,128 | Equipment/Freight; Administrative Costs; Office Utilities; Salaries/Benefits; Maintenance of city vehicle. | Closed 9/92 |
| Wainwright | Community Center Maintenance and Operations | 14,328 | On-going maintenance and operation of facility related to long-term impacts of NPR-A. | Closed 9/92 |
| Total | | 367,378 | | |

FY 93 NPR-A Impact Mitigation Grants Awarded

| <u>Grantee</u> | <u>Project</u> | <u>Initial</u> | <u>Increase</u> | <u>Total</u> | <u>Comments</u> | <u>Grant Status</u> |
|----------------|--|----------------|-----------------|----------------|---|---------------------|
| Atqasuk | Basic Local Government Assistance | 21,280 | 28,720 | 50,000 | Equipment/Office Supplies; Freight; Salaries/Benefits; Administrative/Audit Costs; Phone; Office Utilities. | Closed 4/93 |
| Barrow | Public Facilities Maintenance and Operations | 61,286 | 138,714 | 200,000 | Operation of public facilities related to long-term impacts of NPR-A. | Closed 6/93 |
| Nuiqsut | Basic Local Government Assistance | 21,280 | 68,720 | 90,000 | Office Benefits; Equipment/Office Supplies. | Closed 6/93 |
| Wainwright | Basic Local Government Assistance | 21,280 | 85,846 | 107,126 | Equipment/Freight; Administrative Costs; Office Utilities; Salaries/Benefits; Maintenance of city vehicle. | Closed 6/93 |
| Total | | 125,126 | 322,000 | 447,126 | | |

FY 94 NPR-A Impact Mitigation Grants Awarded

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|----------------|---|------------------|---|---------------------|
| Atqasuk | Basic Local Government Assistance | 4,167.02 | Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs. | Closed 3/94 |
| Barrow | Public Facilities Maintenance and Operations | 6,439.94 | Funds for utilities in association with public facilities. | Closed 3/94 |
| Nuiqsut | Basic Local Government Assistance | 4,167.02 | Funds for existing city employees' salary and fringe benefits and for NPRA fund audit related costs. | Closed 12/93 |
| Wainwright | Basic Local Government Assistance | 4,167.02 | Funds for existing city employees' salary and fringe benefits and for NPRA fund audit related costs. | Closed 4/94 |
| Total | | 18,941.00 | | |

FY 95 NPR-A Impact Mitigation Grants Awarded

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|----------------|---|------------------|---|---------------------|
| Atqasuk | Basic Local Government Assistance | 8,172.27 | Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs. | Closed 7/95 |
| Barrow | Public Facilities Maintenance and Operations | 7,661.50 | Funds for utilities in association with public facilities. | Closed 6/95 |
| Nuiqsut | Basic Local Government Assistance | 3,319.98 | Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs. | Closed 6/95 |
| Wainwright | Basic Local Government Assistance | 6,384.58 | Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs. | Closed 7/95 |
| Total | | 25,538.33 | | |

NPR-A Impact Mitigation Grants Awarded - Based on April 2000 Recommendations

FY 00 Appropriation

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|---------------------|---|---------------|---|---------------------|
| Atkasuk | Community Center Maintenance and Operations | 90,000 | Maintenance and operation of center related to expected long-term impacts of NPR-A. | closed 10/01 |
| Atkasuk | Basic Local Government Operations | 109,000 | Fund salaries for new positions and increase of hours on current positions from part-time to full-time. | closed 4/02 |
| Barrow | Public Facilities - Maintenance and Operations | 650,000 | Fund staff and other expenses to operate city recreation facilities. | closed 8/02 |
| Barrow | Renovation/Upgrade of Barrow Teen Center and Community Center | 1,000,000 | These facilities are needed due to increase in NPR-A activities. The City's ability to absorb this impact through existing facilities and services is limited. | In progress |
| Barrow | Design, Construction & Purchase Retractable Boat Ramp | 1,000,000 | NPR-A uplands development will displace subsistence users from some areas. A boat ramp will provide subsistence hunters better access to the ocean. | In progress |
| Barrow | Maintenance Building Construction | 630,000 | Need for warm storage can be linked to mitigation of foreseeable NPR-A impacts. | In progress |
| North Slope Borough | Village Power Plant/Electrical Distribution & Waste Heat Conversion Upgrade | 10,069,367 | NPR-A development will impact power generation and distribution. Upgraded power production and distribution will mitigate population growth impacts and increasing 'westernization' of local lifestyles. | In progress |
| North Slope Borough | All Infrastructures Services Study | 1,500,000 | Studies will identify additional and continuing effects of NPR-A development on public facilities and the provision of public services. Impacts known or anticipated now can be supplemented with new data and forecasts. | In progress |
| North Slope Borough | Nuiqsut Above Ground Service Connections | 2,100,000 | Project is completed and closed out. A total of 124 residential, commercial, and public facilities were connected to water and sewer service. | closed 3/03 |
| North Slope Borough | Nuiqsut Police Officer for 3 years | 100,000 | The community is presently impacted by NPR-A development. An additional officer will help the city address NPR-A related impacts. | closed 9/01 |
| North Slope Borough | Wainwright Community Center Renovations | 191,283 | Will provide improved facilities for locals who have family members working away from home in NPR-A related employment. Improved opportunity for social and community support. | closed 6/03 |
| North Slope Borough | Fire Department Equipment & training | 1,114,150 | Current firefighting equipment is old and outdated. Existing fire trucks are not equipped to handle the new city water system. Provides an essential public service. Need is linked to anticipated growth in service demand caused by NPR-A development. | closed 6/03 |
| North Slope Borough | Harvest Monitoring: Subsistence Documentation Project | 100,000 | The need for harvest monitoring is clearly related to the foreseeable impacts of oil and gas development. Subsistence hunting is a culturally important activity. Establishment of baseline data will permit more accurate monitoring of oil and gas impacts on wildlife. | closed 4/02 |

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|---------------------|--|---------------|--|--|
| North Slope Borough | Service & Inventory of Fish Resources in the Lakes & Streams of Eastern NPRA | 150,000 | The need for the inventory is clearly related to the foreseeable impacts of oil and gas development. Establishment of baseline data will permit more accurate monitoring of oil and gas impacts on wildlife. | In progress |
| North Slope Borough | Tracking & Analysis of Teshekpuk Lake Caribou Herd Movement and Distribution | 150,000 | The need for the tracking and analysis is clearly related to the foreseeable impacts of oil and gas development. Establishment of baseline data will permit more accurate monitoring of oil and gas impacts on wildlife. | closed 12/02 |
| North Slope Borough | Nuiqsut Natural Gas Piping Distribution | 3,800,000 | NPR-A development will create a higher demand for fuel use. Impacts include larger volumes and more frequent shipping, handling, increased air pollution, fuel spills and leaks, expanded fuel storage needs. The two Natural Gas grants were originally awarded to Nuiqsut who chose in 10/01 to have the NSB administer both projects on their behalf. | In progress |
| North Slope Borough | Nuiqsut Natural Gas Home/Building | 2,200,000 | Same as above. | In progress |
| North Slope Borough | Waterfowl Surveys | 150,000 | The need for the survey is clearly related to the foreseeable impacts of oil and gas development. Establishment of baseline data will permit more accurate monitoring of impact on wildlife. | closed 11/01 |
| Nuiqsut | Construct Cultural Center | 939,800 | NPR-A development will impact the cultural resources of Nuiqsut. Cultural hall mitigates impacts by providing for cultural displays and storage. Anticipated level of activity at Kisik Hall make it unsuitable to serve as a cultural center as well. | Close out pending; grant will be renegotiated with the NSB |
| Nuiqsut | Daycare Construction, Operation & Maintenance | 495,400 | Need for the facility can be linked to the present and foreseeable impacts of NPR-A development. | Close out pending; grant will be renegotiated with the NSB |
| Nuiqsut | Basic Government Operation/Maintenance | 200,000 | Funds used to supplement staff salaries for a full-time mayor/administrator, grants administrator, clerk and bookkeeper. | closed 8/01 |
| Nuiqsut | Kisik Hall Expansion | 340,000 | Increased use of city hall is anticipated to result directly from the NPR-A development. Renovation will help alleviate these impacts. | Close out pending; grant will be renegotiated with the NSB |
| Nuiqsut | Boat Dock With Ramp | 765,000 | NPR-A uplands development will displace subsistence users from some areas. A boat ramp will give subsistence hunters better access to the ocean. | Close out pending; grant will be renegotiated with the NSB |

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|----------------|-----------------------|-------------------|---|---|
| Nuiqsut | Fencing for Graveyard | 156,000 | Provides mitigation for foreseeable NPR-A impacts through the protection of cultural resources. | Project has been completed and close out is pending |
| Total | | 28,000,000 | | |

NPR-A Impact Mitigation Grants Awarded - Based on January 2001 Recommendations

FY 02 Appropriation

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|---------------------|--|------------------|--|---------------------|
| Barrow | Public Facilities - Maintenance and Operation | 334,540 | Project will maintain safe and improved recreational facilities. This alleviates adverse social and cultural impacts from oil and gas development. | In progress |
| North Slope Borough | Harvest Monitoring; Subsistence Documentation | 100,000 | This is Phase II of the FY00 study. | In progress |
| North Slope Borough | Waterfowl Surveys | 150,000 | This is Phase II of the FY00 surveys. | In progress |
| North Slope Borough | Tracking & Analysis of the Teshekpuk Lake Caribou Herd | 150,000 | This is Phase II of the FY00 study. | In progress |
| North Slope Borough | Wainwright Basic Operations | 250,000 | Project provides operations assistance including partial salary costs, expenses and staff training necessary to successfully operate the local government. | Closed 5/03 |
| Nuiqsut | Basic City Government Operations | 200,000 | Grant funds needed for staff salaries and expenses. | In Progress |
| Nuiqsut | Cultural Center Operations | 288,000 | Project will increase the Cultural Guardian position to full-time once facility is complete. | See note below |
| Nuiqsut | Teen Center Operation & Maintenance | 121,310 | Funds needed for staff salaries including adult recreation aides and part-time student hires. | See note below |
| Nuiqsut | Construct Wooden Deck Ball Court | 30,000 | The court is essential for recreational use by the youth residents. | See note below |
| Nuiqsut | Construct Emergency Hunting Shelters | 60,000 | Project provides a health/safety benefit to hunters. | See note below |
| Total | | 1,683,850 | | |

Note: Nuiqsut's grants, with the exception of the Basic City Operations, will be negotiated and executed between the Department and the North Slope Borough for the benefit of Nuiqsut residents, as agreed upon by all parties.

NPR-A Impact Mitigation Grants Awarded - Based on November 2002 Recommendations
FY 03 Appropriation

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|---------------------|--|------------------|--|---------------------|
| Atqasuk | Renovate Recreation Center | 49,000 | This phase includes installation of an efficient waste heating system. | In progress |
| Atqasuk | City Operations | 249,057 | Project supplements operations with partial salaries for the mayor, janitor, recreational aides and city clerk. | In progress |
| Barrow | Summer Youth Program | 50,000 | Project includes the annual Summer Clean-up Program which employs up to 60 youth as a service to the community. | In progress |
| Barrow | Public Facilities Operations | 350,000 | Project will maintain safe and improved recreational facilities and supplement funding for the Summer Youth Program. | In progress |
| North Slope Borough | Wainwright Basic Operations | 250,000 | Project provides operational assistance such as salaries, equipment and training to city staff with the goal of increased efficiency and an improved level of service to residents. | In progress |
| North Slope Borough | Nuiqsut Natural Gas Project | 450,000 | Project provides an alternative to high energy costs and increased demand created by the oil and gas activity. | In progress |
| North Slope Borough | Capacity Building | 100,000 | This involves each community within the Borough, encouraging consolidation of resources between city & tribal governments to result in the formation of partnerships to generate revenue necessary for a common goal: economic viability of the NPR-A communities. | In progress |
| North Slope Borough | Mayor's Workforce Job Training Program | 188,048 | Project mitigates impacts by supplying entry-level employment in village positions that have been vacated due to oil and gas development. | In progress |
| Total | | 1,686,105 | | |

NPR-A Impact Mitigation Grants Awarded - Based on March 2003 Recommendations
FY 04 Appropriation

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|---------------------|--|---------------|--|---------------------|
| Atkasuk | Local Government & Community Center Operations & Maintenance | 368,621 | Project supplements operations with partial salaries for the mayor, janitor, recreational aides and city clerk as well as costs to operate and maintain community center. | In progress |
| Barrow | Renovate Multi-Purpose Facility | 53,719 | Project will upgrade and expand existing public services currently provided at the Roller Rink and purchase necessary equipment and supplies. | In progress |
| Barrow | Public Facilities Operations and Maintenance | 420,705 | Project will maintain safe and improved recreational facilities and supplement funding for the Summer Youth Program. | Pending |
| Barrow | Recreation Building Addition Feasibility | 40,000 | Project will complete a feasibility study for the renovation and construction of the recreation building. | Pending |
| Barrow | Basic Local Government Operations and Maintenance | 1,309,806 | Project will fund in part the operation and maintenance of the city council, administration and recreation departments. | In progress |
| Barrow | Quest Mentorship Program with KBRW | 265,000 | Project will fund the Quest Mentorship Program through KBRW AM/FM radio station. Grant funds will be used to purchase necessary equipment for training interns and contractual services for implementation of the program. | In progress |
| Barrow | Addition to Cemetery Road | 44,230 | Project will construct a one-quarter mile road, drainage culverts, and shoulder work to gain access to cemetery. Funds for design, purchase of road materials, freight, supplies, labor. | In progress |
| North Slope Borough | Nuiqsut Natural Gas Upstream Conditioner | 2,000,000 | Project provides an alternative to high energy costs and increased demand created by the oil and gas activity. | In progress |
| North Slope Borough | Waterfowl in NPRA Continuation | 443,619 | The need for the survey is clearly related to the foreseeable impacts of oil and gas development. Establishment of baseline data will permit more accurate monitoring of impact on wildlife. | In progress |
| North Slope Borough | Arctic Fox Satellite Project | 316,582 | Purpose of project is to outfit 20 arctic fox with radio transmitters and collection and analysis of data gathered | In progress |
| North Slope Borough | Caribou Movements & Distribution | 359,245 | The need for the tracking and analysis is clearly related to the foreseeable impacts of oil and gas development. Establishment of baseline data will permit more accurate monitoring of oil and gas impacts on wildlife. | In progress |
| North Slope Borough | Survey and Inventory of Fish Resources | 362,931 | The need for the inventory is clearly related to the foreseeable impacts of oil and gas development. Establishment of baseline data will permit more accurate monitoring of oil and gas impacts on wildlife. | In progress |

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|---------------------|---|---------------|---|---------------------|
| North Slope Borough | Fish Petroleum Hydrocarbon Study | 405,659 | Project will establish baseline data on the current status of petroleum hydrocarbons in four species of subsistence fish in the NPR-A. | In progress |
| North Slope Borough | Subsistence Harvest Monitoring | 188,030 | The need for harvest monitoring is clearly related to the foreseeable impacts of oil and gas development. Establishment of baseline data will permit more accurate monitoring of oil and gas impacts on wildlife. | In progress |
| North Slope Borough | Electric Thermal Oxidation/Waste Heat | 1,500,000 | Project will remodel the thermal oxidation system, expand the thermal oxidation system facility, and prepare a feasibility study on development of an electrical co-generation system at the facility. | In progress |
| North Slope Borough | Grant Oversight and Supervision | 213,418 | Project will allow NSB staff to work with borough communities to provide capacity building as well as send staff to professional development training. | In progress |
| North Slope Borough | Volunteer Search and Rescue Equipment | 565,425 | Project will provide search and rescue equipment, parts and supplies, and training for borough communities. | In progress |
| North Slope Borough | Fire Department Equipment Upgrades | 250,276 | Project will provide emergency medical equipment for five borough communities. | In progress |
| North Slope Borough | Barrow Sewage Treatment Facility | 10,000,000 | Project will provide funds for construction of a new sewage treatment facility which will safely store and treat raw sewage and runoff for the next 20 years. | In progress |
| North Slope Borough | Emergency Radio Communications | 1,550,570 | Project will provide funds for purchase and maintenance of equipment/materials/supplies needed for the 800 MHz radio system for NSB emergency response teams. | In progress |
| North Slope Borough | Police Department Facilities and Training | 728,999 | Project will upgrade police department facilities in NSB communities including purchase of updated equipment and vehicles and professional development training. | In progress |
| North Slope Borough | Telecommunications System Update | 156,145 | Project will purchase equipment necessary for upgrading the current information technology system and to provide training for NSB staff in installation, operation, and maintenance. | In progress |
| North Slope Borough | Research Equipment for NPR-A Activities | 250,000 | Project will purchase equipment for collecting and analyzing data on subsistence activities and fish and wildlife resources. | In progress |
| North Slope Borough | Barrow School Resource Officers | 237,240 | Project will place School Resource Officers in three Barrow schools as well as purchase educational materials, supplies, and training. | In progress |
| North Slope Borough | NPR-A Village School Counselors | 435,736 | Project will place a School Counselor in each of four borough communities and provide training for each. | In progress |
| North Slope Borough | Project Compliance and Fiscal Officer | 198,250 | Project will provide a new Project Compliance and Fiscal Coordinator for all research related projects within the NSB's Dept of Wildlife Management for two years. | In progress |

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|---------------------|------------------------------------|-------------------------|---|---------------------|
| North Slope Borough | Childcare/Learning Center/Training | 56,123 | Funds will be used to purchase surveillance equipment and for purchase and installation of fencing around Barrow Child Care Learning Center playground. Two Center employees will attend professional development training. | In progress |
| North Slope Borough | Village Summer Recreation Program | 121,374 | Project will hire a Recreation Coordinator and a Recreation Aide for a summer recreation program in the five NSB communities. Professional development training also to be provided. | In progress |
| North Slope Borough | Mayor's Job Program | 653,929 | Project mitigates impacts by supplying entry-level employment in village positions that have been vacated due to oil and gas development. | In progress |
| North Slope Borough | Workforce Development Program | 1,515,825 | Project will develop a One-Stop Job Center where village members can obtain skills, certifications, and the expertise necessary to become employed by the infrastructure created by NPR-A development. | In progress |
| Total | | <hr/> 25,011,457 | | |

NPR-A Impact Mitigation Grants Awarded - Based on December 2003 Recommendations
FY 05 Appropriation

| <u>Grantee</u> | <u>Project</u> | <u>Amount</u> | <u>Comments</u> | <u>Grant Status</u> |
|---------------------|---|------------------|---|---------------------|
| Barrow | Tuzzy Library | 180,000 | Project will allow for the hiring of a full-time Library Technician to provide general library services with a focus on children. | Pending |
| Nuiqsut | Local Government Operations | 250,000 | Fund salaries for City positions and increase of hours on some current positions. | Pending |
| North Slope Borough | Local Government Operations for Wainwright | 250,000 | Fund salaries for City positions and increase of hours on some current positions. | Pending |
| North Slope Borough | Barrow Allied Health Care Training Program | 500,000 | The need for the survey is clearly related to the foreseeable impacts of oil and gas development. With project funds the North Slope Allied Health Training Program will provide a continuum of training and education in paraprofessional fields essential to developing local health care providers on the North Slope. | Pending |
| North Slope Borough | Social and Cultural Impacts Study | 500,000 | Purpose of project is to document observations and perceptions of North Slope residents regarding historical, current, and potential effects of oil industry activities on hunting and to determine how oil/gas development has affected hunters. | Pending |
| North Slope Borough | Oil/Gas Development Comprehensive Plan | 400,000 | This project will develop a comprehensive borough-wide oil and gas land-use plan to guide industrial development. | Pending |
| North Slope Borough | School Counselors Extended Program | 205,000 | This is a continuation of the program initially funded in FY 04 and will hire two additional school counselors in Barrow. | Pending |
| North Slope Borough | School Resource Officers | 125,000 | This is a continuation of the program initially funded in FY 04 and will be used to retain and train a School Resource Officer in Barrow. | Pending |
| North Slope Borough | School Based Programs | 500,000 | The NSB will partner with the NSB School District to provide open gyms and structured activities with grant funds in Atkasak, Anaktuvuk Pass, Barrow, Nuiqsut, and Wainwright. | Pending |
| North Slope Borough | Gull Distribution, Predation & Impact Study | 120,000 | This project will document the movements, behavior, and distribution of Glaucous Gulls through the use of satellite telemetry. | Pending |
| Total | | 3,030,000 | | |

ATTACHMENTS

Federal Statutes (42 USC Chapter 78)

Alaska Statutes (AS 37.05.530)

Alaska Regulations (03 AAC 150)

UNITED STATES CODE
Title 42 - The Public Health And Welfare
Chapter 78 - National Petroleum Reserve In Alaska

Sec. 6501. - "Petroleum" defined

As used in this chapter, the term "petroleum" includes crude oil, gases (including natural gas), natural gasoline, and other related hydrocarbons, oil shale, and the products of any of such resources

Sec. 6502. - Designation of National Petroleum Reserve in Alaska; reservation of lands; disposition and conveyance of mineral materials, lands, etc., preexisting property rights

The area known as Naval Petroleum Reserve Numbered 4, Alaska, established by Executive order of the President, dated February 27, 1923, except for tract Numbered 1 as described in Public Land Order 2344, dated April 24, 1961, shall be transferred to and administered by the Secretary of the Interior in accordance with the provisions of this Act. Effective on the date of transfer all lands within such area shall be redesignated as the "National Petroleum Reserve in Alaska" (hereinafter in this chapter referred to as the "reserve"). Subject to valid existing rights, all lands within the exterior boundaries of such reserve are hereby reserved and withdrawn from all forms of entry and disposition under the public land laws, including the mining and mineral leasing laws, and all other Acts; but the Secretary is authorized to

(1) make dispositions of mineral materials pursuant to the Act of July 31, 1947 (61 Stat. 681), as amended (30 U.S.C. 601 et seq.), for appropriate use by Alaska Natives and the North Slope Borough,

(2) make such dispositions of mineral materials and grant such rights-of-way, licenses, and permits as may be necessary to carry out his responsibilities under this Act,

(3) convey the surface of lands properly selected on or before December 18, 1975, by Native village corporations pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.), and

(4) grant such rights-of-way to the North Slope Borough, under the provisions of title V of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1761 et seq.) or section 28 of the Mineral Leasing Act, as amended (30 U.S.C. 185), as may be necessary to permit the North Slope Borough to provide energy supplies to villages on the North Slope. All other provisions of law heretofore enacted and actions heretofore taken reserving such lands as a Naval Petroleum Reserve shall remain in full force and effect to the extent not inconsistent with this Act

Sec. 6503. - Transfer of jurisdiction, duties, property, etc., to Secretary of the Interior from Secretary of Navy

(a) Transfer of jurisdiction over reserve; date of transfer

Jurisdiction over the reserve shall be transferred by the Secretary of the Navy to the Secretary of the Interior on June 1, 1977.

(b) Protection of environmental, fish and wildlife, and historical or scenic values; promulgation of rules and regulations

With respect to any activities related to the protection of environmental, fish and wildlife, and historical or scenic values, the Secretary of the Interior shall assume all responsibilities as of April 5, 1976. As soon as possible, but not later than the effective date of transfer, the Secretary of the Interior may promulgate such rules and regulations as he deems necessary and appropriate for the protection of such values within the reserve.

(c) Contract responsibilities and functions

The Secretary of the Interior shall, upon the effective date of the transfer of the reserve, assume the responsibilities and functions of the Secretary of the Navy under any contracts which may be in effect with respect to activities within the reserve.

(d) Equipment, facilities, and other properties used in connection with operation of reserve; transfer without reimbursement

On the date of transfer of jurisdiction of the reserve, all equipment, facilities, and other property of the Department of the Navy used in connection with the operation of the reserve, including all records, maps, exhibits, and other informational data held by the Secretary of the Navy in connection with the reserve, shall be transferred without reimbursement from the Secretary of the Navy to the Secretary of the Interior who shall thereafter be authorized to use them to carry out the provisions of this chapter.

(e) Unexpended funds previously appropriated for use in connection with reserve and civilian personnel ceilings assigned to management and operation of reserve

On the date of transfer of jurisdiction of the reserve, the Secretary of the Navy shall transfer to the Secretary of the Interior all unexpended funds previously appropriated for use in connection with the reserve and all civilian personnel ceilings assigned by the Secretary of the Navy to the management and operation of the reserve as of January 1, 1976

Sec. 6504. - Administration of reserve

(a) Congressional authorization as precondition for production and development of petroleum

Except as provided in subsection (e) of this section, production of petroleum from the reserve is prohibited and no development leading to production of petroleum from the reserve shall be undertaken until authorized by an Act of Congress.

(b) Conduct of exploration within designated areas to protect surface values

Any exploration within the Utukok River, the Teshekpuk Lake areas, and other areas designated by the Secretary of the Interior containing any significant subsistence, recreational, fish and wildlife, or historical or scenic value, shall be conducted in a manner which will assure the maximum protection of such surface values to the extent consistent with the requirements of this Act for the exploration of the reserve.

(c) Continuation of ongoing petroleum exploration program by Secretary of Navy prior to date of transfer of jurisdiction; duties of Secretary of Navy prior to transfer date

The Secretary of the Navy shall continue the ongoing petroleum exploration program within the reserve until the date of the transfer of jurisdiction specified in section 6503(a) of this title. Prior to the date of such transfer of jurisdiction the Secretary of the Navy shall -

(1) cooperate fully with the Secretary of the Interior providing him access to such facilities and such information as he may request to facilitate the transfer of jurisdiction;

(2) provide to the Committee on Energy and Natural Resources of the Senate and the Committee on Natural Resources of the House of Representatives copies of any reports, plans, or contracts pertaining to the reserve that are required to be submitted to the Committees on Armed Services of the Senate and the House of Representatives; and

(3) cooperate and consult with the Secretary of the Interior before executing any new contract or amendment to any existing contract pertaining to the reserve and allow him a reasonable opportunity to comment on such contract or amendment, as the case may be.

(d) Commencement of petroleum exploration by Secretary of the Interior as of date of transfer of jurisdiction; powers and duties of Secretary of the Interior in conduct of exploration

The Secretary of the Interior shall commence further petroleum exploration of the reserve as of the date of transfer of jurisdiction specified in section 6503(a) of this title. In conducting this exploration effort, the Secretary of the Interior -

(1) is authorized to enter into contracts for the exploration of the reserve, except that no such contract may be entered into until at least thirty days after the Secretary of the Interior has provided the Attorney General with a copy of the proposed contract and such other information as may be appropriate to determine legal sufficiency and possible violations under, or inconsistencies with, the antitrust laws. If, within such thirty day period, the Attorney General advises the Secretary of the Interior that any such contract would unduly restrict competition or be inconsistent with the antitrust laws, then the Secretary of the Interior may not execute that contract;

(2) shall submit to the Committee on Energy and Natural Resources of the Senate and the Committee on Natural Resources of the House of Representatives any new plans or substantial amendments to ongoing plans for the exploration of the reserve. All such plans or amendments submitted to such committees pursuant to this section shall contain a report by the Attorney General of the United States with respect to the anticipated effects of such plans or amendments on competition. Such plans or amendments shall not be implemented until sixty days after they have been submitted to such committees; and

(3) shall report annually to the Committee on Energy and Natural Resources of the Senate and the Committee on Natural Resources of the House of Representatives on the progress of, and future plans for, exploration of the reserve

Sec. 6505. - Executive department responsibility for studies to determine procedures used in development, production, transportation, and distribution of petroleum resources in reserve; reports to Congress by President; establishment of task force by Secretary of the Interior; purposes; membership; report and recommendations to Congress by Secretary; contents

(a) Omitted

(b)

(1) The President shall direct such Executive departments and/or agencies as he may deem appropriate to conduct a study, in consultation with representatives of the State of Alaska, to determine the best overall procedures to be used in the development, production, transportation, and distribution of petroleum resources in the reserve. Such study shall include, but shall not be limited to, a consideration of -

(A) the alternative procedures for accomplishing the development, production, transportation, and distribution of the petroleum resources from the reserve, and

(B) the economic and environmental consequences of such alternative procedures.

(2) The President shall make semiannual progress reports on the implementation of this subsection to the Committees on Interior and Insular Affairs of the Senate and the House of Representatives beginning not later than six months after April 5, 1976, and shall, not later than one year after the transfer of jurisdiction of the reserve, and annually thereafter, report any findings or conclusions developed as a result of such study together with appropriate supporting data and such recommendations as he deems desirable. The study shall be completed and submitted to such committees, together with recommended procedures and any proposed legislation necessary to implement such procedures not later than January 1, 1980.

(c)

(1) The Secretary of the Interior shall establish a task force to conduct a study to determine the values of, and best uses for, the lands contained in the reserve, taking into consideration

(A) the natives who live or depend upon such lands,

(B) the scenic, historical, recreational, fish and wildlife, and wilderness values,

(C) mineral potential, and

(D) other values of such lands.

(2) Such task force shall be composed of representatives from the government of Alaska, the Arctic slope native community, and such offices and bureaus of the Department of the Interior as the Secretary of the Interior deems appropriate, including, but not limited to, the Bureau of Land Management, the United States Fish and Wildlife Service, the United States Geological Survey, and the United States Bureau of Mines.

(3) The Secretary of the Interior shall submit a report, together with the concurring or dissenting views, if any, of any non-Federal representatives of the task force, of the results of such study to the Committees on Interior and Insular Affairs of the Senate and the House of Representatives within three years after April 5, 1976, and shall include in such report his recommendations with respect to the value, best use, and appropriate designation of the lands referred to in paragraph (1)

Sec. 6506. - Applicability of antitrust provisions; plans and proposals submitted to Congress to contain report by Attorney General on impact of plans and proposals on competition

Unless otherwise provided by Act of Congress, whenever development leading to production of petroleum is authorized, the provisions of subsections (g), (h), and (i) of section 7430 of title 10 shall be deemed applicable to the Secretary of the

Interior with respect to rules and regulations, plans of development and amendments thereto, and contracts and operating agreements. All plans and proposals submitted to the Congress under this chapter or pursuant to legislation authorizing development leading to production shall contain a report by the Attorney General of the United States on the anticipated effects upon competition of such plans and proposals

Sec. 6507. - Authorization of appropriations; Federal financial assistance for increased municipal services and facilities in communities located on or near reserve resulting from authorized exploration and study activities

(a) There are authorized to be appropriated to the Department of the Interior such sums as may be necessary to carry out the provisions of this chapter.

(b) If the Secretary of the Interior determines that there is an immediate and substantial increase in the need for municipal services and facilities in communities located on or near the reserve as a direct result of the exploration and study activities authorized by this chapter and that an unfair and excessive financial burden will be incurred by such communities as a result of the increased need for such services and facilities, then he is authorized to assist such communities in meeting the costs of providing increased municipal services and facilities. The Secretary of the Interior shall carry out the provisions of this section through existing Federal programs and he shall consult with the heads of the departments or agencies of the Federal Government concerned with the type of services and facilities for which financial assistance is being made available

Sec. 6508. - Competitive leasing of oil and gas

There shall be conducted, notwithstanding any other provision of law and pursuant to such rules and regulations as the Secretary may prescribe, an expeditious program of competitive leasing of oil and gas in the National Petroleum Reserve in Alaska: Provided, That

(1) activities undertaken pursuant to this section shall include or provide for such conditions, restrictions, and prohibitions as the Secretary deems necessary or appropriate to mitigate reasonably foreseeable and significantly adverse effects on the surface resources of the National Petroleum Reserve in Alaska (the Reserve);

(2) the provisions of section 202 and section 603 of the Federal Lands Policy and Management Act of 1976 (90 Stat. 2743) (43 U.S.C. 1712, 1782) shall not be applicable to the Reserve;

(3) the first lease sale shall be conducted within twenty months of December 12, 1980: Provided, That the first lease sale shall be conducted only after publication of a final environmental impact statement if such is deemed necessary

under the provisions of the National Environmental Policy Act of 1969 (42 U.S.C. 4332);

(4) the withdrawals established by section 102 of Public Law 94-258 (42 U.S.C. 6502) are rescinded for the purposes of the oil and gas leasing program authorized herein;

(5) bidding systems used in lease sales shall be based on bidding systems included in section 205(a)(1)(A) through (H) [1] of the Outer Continental Shelf Lands Act Amendments of 1978 (92 Stat. 629) (43 U.S.C. 1337(a)(1)(A)-(H));

(6) lease tracts may encompass identified geological structures;

(7) the size of lease tracts may be up to sixty thousand acres, as determined by the Secretary;

(8) each lease shall be issued for an initial period of ten years, and shall be extended for so long thereafter as oil or gas is produced from the lease in paying quantities, or as drilling or reworking operations, as approved by the Secretary, are conducted thereon;

(9) for purposes of conservation of the natural resources of any oil or gas pool, field, or like area, or any part thereof, lessees thereof and their representatives are authorized to unite with each other, or jointly or separately with others, in collectively adopting and operating under a unit agreement for such pool, field, or like area, or any part thereof (whether or not any other part of said oil or gas pool, field, or like area is already subject to any cooperative or unit plan of development or operation), whenever determined by the Secretary to be necessary or advisable in the public interest. Drilling, production, and well reworking operations performed in accordance with a unit agreement shall be deemed to be performed for the benefit of all leases that are subject in whole or in part to such unit agreement. When separate tracts cannot be independently developed and operated in conformity with an established well spacing or development program, any lease, or a portion thereof, may be pooled with other lands, whether or not owned by the United States, under a communitization or drilling agreement providing for an apportionment of production or royalties among the separate tracts of land comprising the drilling or spacing unit when determined by the Secretary of the Interior to be in the public interest, and operations or production pursuant to such an agreement shall be deemed to be operations or production as to each such lease committed thereto;

(10) to encourage the greatest ultimate recovery of oil or gas or in the interest of conservation the Secretary is authorized to waive, suspend, or reduce the rental, or minimum royalty, or reduce the royalty on an entire leasehold, including on any lease operated pursuant to a unit agreement, whenever in his judgment the leases cannot be successfully operated under the terms provided therein. The Secretary is authorized to direct or assent to the suspension of operations and production on any lease or unit. In the event the Secretary, in the interest of

conservation, shall direct or assent to the suspension of operations and production on any lease or unit, any payment of acreage rental or minimum royalty prescribed by such lease or unit likewise shall be suspended during the period of suspension of operations and production, and the term of such lease shall be extended by adding any such suspension period thereto; and

(11) all receipts from sales, rentals, bonuses, and royalties on leases issued pursuant to this section shall be paid into the Treasury of the United States: Provided, That 50 percent thereof shall be paid by the Secretary of the Treasury semiannually, as soon thereafter as practicable after March 30 and September 30 each year, to the State of Alaska for:

(A) planning;

(B) construction, maintenance, and operation of essential public facilities; and

(C) other necessary provisions of public service: Provided further, That in the allocation of such funds, the State shall give priority to use by subdivisions of the State most directly or severely impacted by development of oil and gas leased under this section.

Any agency of the United States and any person authorized by the Secretary may conduct geological and geophysical explorations in the National Petroleum Reserve in Alaska which do not interfere with operations under any contract maintained or granted previously. Any information acquired in such explorations shall be subject to the conditions of 43 U.S.C. 1352(a)(1)(A).

Any action seeking judicial review of the adequacy of any program or site-specific environmental impact statement under section 102 of the National Environmental Policy Act of 1969 (42 U.S.C. 4332) concerning oil and gas leasing in the National Petroleum Reserve-Alaska shall be barred unless brought in the appropriate District Court within 60 days after notice of the availability of such statement is published in the Federal Register.

The detailed environmental studies and assessments that have been conducted on the exploration program and the comprehensive land-use studies carried out in response to sections 105(b) and (c) of Public Law 94-258 (42 U.S.C. 6505(b), (c)) shall be deemed to have fulfilled the requirements of section 102(2)(c) of the National Environmental Policy Act (Public Law 91-190) (42 U.S.C. 4332(2)(C)), with regard to the first two oil and gas lease sales in the National Petroleum Reserve-Alaska: Provided, That not more than a total of 2,000,000 acres may be leased in these two sales: Provided further, That any exploration or production undertaken pursuant to this section shall be in accordance with section 104(b) of the Naval Petroleum Reserves Production Act of 1976 (90 Stat. 304; 42 U.S.C. 6504)

ALASKA STATUTES
Title 37. Public Finance
Chapter 5. Fiscal Procedures Act
Section 530. National Petroleum Reserve - Alaska Special Revenue Fund

(a) The National Petroleum Reserve - Alaska special revenue fund is established. The fund consists of all money disbursed to the state by the federal government under 42 U.S.C. 6508 (P.L. 96-514) since December 12, 1980, less the amount deposited in the general fund and expended by the state by general fund appropriations before June 9, 1984.

(b) The commissioner of revenue shall manage the National Petroleum Reserve - Alaska special revenue fund.

(c) The Department of Community and Economic Development shall adopt regulations under which municipalities impacted by National Petroleum Reserve - Alaska oil and gas development under 42 U.S.C. 6508 may apply for and be eligible to receive grants to alleviate the impact. The department shall give priority in the allocation of grants to municipalities that are experiencing or will experience the most direct or severe impact from oil and gas development under 42 U.S.C. 6508 within the National Petroleum Reserve - Alaska. The department shall fund all meritorious grant applications out of the money appropriated to it each year. Within 10 days after the convening of each regular session of the legislature, the department shall submit to the legislature a list of all municipalities that have received grants, a list of all municipalities determined by the department to be eligible for further grants, a recommendation of the amount of money to be granted for those additional applications, and written justification of each past and potential grant.

(d) It is the intent of the legislature that each year all of the money in the National Petroleum Reserve - Alaska special revenue fund be made available for appropriation by the legislature to municipalities that demonstrate under (c) of this section present impact, or the need to determine or plan for future impact, from oil and gas development under 42 U.S.C. 6508. It is the intent of the legislature that an initial appropriation be made to the Department of Community and Economic Development to cover anticipated impact grants, and that additional funds be made available through supplemental appropriations if the impact is greater than anticipated and the legislature considers the additional grants proposed by the department to be meritorious.

(e) A municipality may use the funds received under (d) of this section only for the following activities and services to alleviate the impact of the oil and gas development under 42 U.S.C. 6508 within the National Petroleum Reserve - Alaska:

- (1) planning;

(2) construction, maintenance, and operation of essential public facilities by the municipality, and

(3) other necessary public services provided by the municipality.

(f) Funds appropriated under (d) of this section may not be used for the retirement of municipal debt.

(g) Amounts received by the state under 42 U.S.C. 6508 and not appropriated for grants to municipalities under (d) of this section shall be deposited at the end of each fiscal year as follows: (1) 25 percent to the principal of the Alaska permanent fund; and (2).5 percent to the public school trust fund (AS 37.14.110). The amounts remaining after the deposits to the Alaska permanent fund and the public school trust fund may be appropriated to the power cost equalization and rural electric capitalization fund (AS 42.45.100). The amounts remaining after any appropriation to the power cost equalization and rural electric capitalization fund shall lapse into the general fund for use by the state for the following facilities and services: planning; construction, maintenance, and operation of essential public facilities; and other necessary public services.

(h) Notwithstanding other provisions of law and unless expressly provided by the legislature in the appropriation item making the appropriation, an appropriation from the National Petroleum Reserve - Alaska special revenue fund shall, for the purposes of determining the funding sources for the appropriation be treated as though the appropriation takes effect in the fiscal year in which the appropriation passes the legislature. The authorization to expend funds appropriated from the fund shall take effect as otherwise provided by law.

ALASKA ADMINISTRATIVE CODE
Title 3. Community and Economic Development
Chapter 150. National Petroleum Reserve - Alaska Impact Program

3 AAC 150.010. General Objectives

The primary objective of the National Petroleum Reserve-Alaska (NPR-A) Impact Program is to provide municipalities with financial assistance to help mitigate significantly adverse impacts related to oil or gas leasing within the NPR-A, including exploration, production, and oil or gas transportation activities, conducted under the authority of 42 U.S.C. 6508. Financial assistance may be available for

- (1) planning;
- (2) construction, maintenance, and operation of essential public facilities; and
- (3) other necessary public services.

3 AAC 150.020. Administration of NPR-A Impact Program

Under sec. 2, ch. 53, SLA 1986, the legislature will appropriate each year the balance remaining in the National Petroleum Reserve-Alaska special revenue fund to the Department of Community and Economic Development. The department will, in accordance with this chapter, receive, review, and evaluate applications from eligible municipalities each year, and will fund qualified grant requests up to the amount of the appropriation. Money not allocated to eligible municipalities each year lapses in accordance with sec. 3, ch. 53, SLA 1986. If the total amount of money requested by eligible municipalities in a year exceeds the appropriation for that year, the department will allocate the available grant money in accordance with the criteria for priority set out in 3 AAC 150.060 - 3 AAC 150.080. Additional money might be made available through supplemental appropriations if the impact is greater than anticipated and the legislature considers the additional grants proposed by the department to be meritorious.

3 AAC 150.030. Eligibility in General

Eligibility for NPR-A impact assistance has two main components: applicant eligibility and project eligibility.

3 AAC 150.040. Applicant Eligibility

To be eligible to receive assistance under the NPR-A Impact program, the applicant

- (1) must be a municipality under state law; and
- (2) must demonstrate present impact, regardless of date of initial occurrence, or foreseeable future impact, on the applicant or the applicant's residents from oil or gas exploration, production, or transportation activities in the NPR-A under 42 U.S.C. 6508.

3 AAC 150.050. Project Eligibility

(a) To be eligible for funding under the NPR-A impact program, a project must be related to present, continuing, or reasonably foreseeable impact on the applicant or the applicant's residents from oil or gas exploration, production, or transportation activities in the NPR-A under 42 U.S.C. 6508.

(b) To be eligible for funding, a project also must be for the purpose of

- (1) planning;
- (2) construction, maintenance, and operation of essential public facilities; or
- (3) other necessary public services.

(c) In this section, "impact" means an effect reasonably attributable to NPR-A oil and gas activities under 42 U.S.C. 6508 on

- (1) population;
- (2) employment;
- (3) finances;
- (4) social and cultural values;
- (5) air and water quality;
- (6) fish and wildlife habitats;

(7) the ability to provide essential public services, including health care, public safety, education, transportation, utilities, and government administration; and

- (8) other things of demonstrable importance to the applicant or the applicant's residents.

(d) Examples of needs that eligible projects may address include the following:

(1) resource protection to ensure the continued viability of fish, wildlife, and other natural resources on which the applicant's residents rely for subsistence needs;

- (2) alleviation or mitigation of adverse social or cultural impacts;

(3) health needs, including hospitals, clinics, emergency medical facilities, alcohol and drug abuse facilities, mental health facilities, waste disposal systems, and water quality improvement systems;

- (4) public safety needs, including police protection, search and rescue, and fire protection;

(5) utility needs, including electric generating plants and distribution systems, water supply systems, telephone systems, and other fuel distribution systems;

- (6) housing needs;

- (7) recreational needs.

3 AAC 150.060. Project Criteria

(a) If the total amount of money requested by eligible applicants for eligible projects in meritorious applications exceeds the amount appropriated for grants that year, the department will rank applications for the purpose of establishing priority for funding.

(b) In determining the merit of an application, the department will consider

(1) the degree to which the project proposed in the grant application alleviates the impact caused by development in the NPR-A under 42 U.S.C. 6508;

(2) the ability of the applicant to accommodate or absorb the impacts through existing facilities or programs; and

(3) other criteria the department identifies as critical to determination of the merit of the application.

(c) In ranking the applications, the department will consider

(1) the severity of the impact caused by the development in the NPR-A under 42 U.S.C. 6508 on the municipality; and

(2) the degree to which the impact on the municipality is directly caused by development in the NPR-A under 42 U.S.C. 6508.

3 AAC 150.070. Submission of Applications

(a) Application must be made on forms provided by the department. The forms will be such that they may be easily filled out by small communities without technical staff. The department will, upon request, provide assistance to applicants to the extent possible based upon the availability of financial and human resources.

(b) A municipality that believes it is eligible to receive NPR-A impact assistance under 3 AAC 150.010 – 3 AAC 150.060 may file an application with the department as provided for in (a) of this section. An application must be postmarked no later than November 15 of each year in which NPR-A assistance money is available for appropriation by the legislature under AS 37.05.530. If November 15 is a Saturday, Sunday, or legal holiday, the deadline for postmark is the department's next regular business day.

3 AAC 150.080. Review of Applications and Award of Grants

(a) The department will review applications for eligibility for NPR-A impact assistance and place applications in order of priority in accordance with 3 AAC 150.060.

(b) The department will review each application determined to be eligible for NPR-A impact assistance to determine whether the amount requested for a project is reasonably necessary for the project to alleviate impacts from oil and gas development in the NPR-A under 42 U.S.C. 6508, the department will deduct from the amount requested any amounts that are not reasonably necessary for that purpose.

(c) If, after making necessary adjustments to grant requests under (b) of this section, the department determines that the total amount for eligible projects requested by all eligible applicants that year is equal to or less than the amount appropriated for that year, the department will fund all meritorious requests. If the total amounts requested are greater than the amount appropriated, the department will fund requests in accordance with the priorities established in 3 AAC 150.060 until the appropriation is spent. The department will, in its discretion, recommend to the legislature that additional money be made available through supplemental appropriations.

3 AAC 150.090. Reconsideration and Judicial Review

A municipality aggrieved by a decision made under this chapter may request reconsideration by the commissioner of community and regional affairs, and must seek such reconsideration before seeking judicial review. A final decision of the department is subject to judicial review in accordance with Rule 602 of the Alaska Rules of Appellate Procedure.